

2000

Annual
Report

Our Water... Our Future

 Sask Water

MANDATE AND STRUCTURE

The Water Corporation Act, proclaimed on July 1, 1984, established the Saskatchewan Water Corporation (Sask Water) to manage, administer, develop, control and protect the water and related land resources of Saskatchewan. The corporation is an agent of the Crown and is managed by a board of directors.

Sask Water, with its head office located in Moose Jaw, operates with approximately 220 employees. The corporation has three divisions: Water Resource and Infrastructure Management, Utility and Engineering Operations and Irrigation and Agricultural Services. Corporate support services provide financial, legal, human resources, communications and information systems support.

Five water resource offices, in Yorkton, Swift Current, North Battleford, Nipawin and Weyburn; Irrigation and Agricultural Services offices in Outlook and Swift Current; a Rural Water Quality office in Saskatoon; and offices in Prince Albert and Watrous serve Saskatchewan residents throughout the province.

TABLE OF CONTENTS

LETTER OF TRANSMITTAL	2
MINISTER'S MESSAGE	3
MESSAGE TO STAKEHOLDERS	3
BOARD OF DIRECTORS	4
SASK WATER EXECUTIVE OFFICERS	4
WATERSHED STEWARDSHIP	5
DEVELOPING SASKATCHEWAN'S WATER RESOURCES	7
PROTECTION OF THE WATER RESOURCE	14
WATER RIGHTS	15
STRATEGIC PERFORMANCE REPORTING	16
MANAGEMENT'S DISCUSSION AND ANALYSIS	17
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING	19
AUDITORS' REPORT	19
FINANCIAL STATEMENTS AND NOTES	20

LETTER OF TRANSMITTAL

Regina, Saskatchewan
March 30, 2001

To Her Honour
The Honourable Lynda Haverstock
Lieutenant Governor of the
Province of Saskatchewan

Madam:

I have the honour to submit herewith the Annual Report of Sask Water (Saskatchewan Water Corporation) for the year ended December 31, 2000, including the financial statements in the form approved by the Crown Investments Corporation and audited by PricewaterhouseCoopers LLP, all in accordance with *The Water Corporation Act*.

I have the honour to be, Madam,
Your obedient servant,



Ron Osika

MINISTER RESPONSIBLE
CHAIR, BOARD OF DIRECTORS

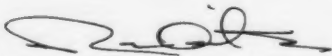
MINISTER'S MESSAGE

101-04076/

As minister responsible for Sask Water, it is my pleasure to present the corporation's 2000 annual report.

The past year provided many challenges and opportunities for Sask Water staff throughout the province. Responding to the flood in Vanguard, completion of the Buffalo Pound rehabilitation project and the opening of Pierceland's new water supply and treatment plant are among the highlights of what proved to be a very busy year for Sask Water.

Thank you to all Sask Water staff for another year of hard work and dedication as you continue to work together to manage the province's water.



Ron Osika

MINISTER RESPONSIBLE
CHAIR, BOARD OF DIRECTORS



MESSAGE TO STAKEHOLDERS

Water is important whether you are a farmer, a rancher, a hunter, an angler or an urban dweller. Sask Water is working to protect, manage and develop these water resources for you. More than ever, our success depends on your involvement. While we play an important role in meeting your needs, we also need your energy and commitment to accomplish our goals.

Sask Water would like to thank the many citizens of Saskatchewan for their involvement—from the 170 educators who have made Project WET (Water Education for Teachers) a success to the local residents who help us read gauges, report on snowfall and operate structures. We will keep building on the strong relationships we have with other stakeholder groups, individuals, local government and non-profit organizations. Sask Water is in the early stages of moving more resources into watershed and lake stewardship activities and we will need even more community support in the future.

Our objective is to focus on the water management challenges you face in your watershed, and work in partnership with you to enhance nature's services. For example, with the completion of the Upper Assinboine River Basin Study, we believe we have established the

basis to explore and develop more effective ways of enhancing nature's nurturing and cleansing capacities while also assuring farmers reliable access to arable land.

Everyone wins from effective watershed stewardship and we need your input and support to succeed. Lake stewardship is part of watershed stewardship and our activities in this area are expanding. We are proud of what Sask Water and our partners have established at Jackfish and Murray Lakes, Big Shell Lake, and at Good Spirit Lake. By partnering with others, we plan to expand our commitment. Success depends on the diligence and endorsement of citizens who live at or near the lakes and on the energy of citizens active in volunteer groups and associations who choose to focus on stewardship.

We have enjoyed your support in 2000. In the year ahead, we will be expanding our efforts to achieve more co-operative relationships and partnerships that further the development of watershed and lake stewardship.

SASK WATER'S EXECUTIVE TEAM

BOARD OF DIRECTORS

The following served as directors of Sask Water in 2000:

Honourable Maynard Sonntag
MINISTER RESPONSIBLE, CHAIR

Honourable Jack Hillson
VICE-CHAIR

Donnett Elder
FILLMORE

Steve Tokarski
WATSON

David MacLeod
REGINA

Janet Folk
REGINA

Dennis Zerr
MOOSE JAW

Dan Palsich
PARADISE HILL

SASK WATER EXECUTIVE OFFICERS

(as of December 31, 2000)

Clare Kirkland
PRESIDENT

Wayne Dybvig
VICE-PRESIDENT
WATER RESOURCE & INFRASTRUCTURE MANAGEMENT
IRRIGATION & AGRICULTURAL SERVICES

Wayne Phillips
VICE-PRESIDENT
UTILITY & ENGINEERING OPERATIONS

WATERSHED STEWARDSHIP

More than 1,000 citizens
have accessed Sask Water's
Rural Water Quality
Advisory Program



Sask Water manages the province's water resources for the benefit of all Saskatchewan citizens. Sask Water staff throughout the province strive to successfully balance water uses and stakeholder interests while also working to ensure sustainability of this most precious resource. Watershed stewardship activities include providing access to a safe water supply, water management and protection, public consultation, environmental sustainability and working to educate people about the value of water.

Major flood in Vanguard A major rain storm July 3 over the Vanguard area in southwest Saskatchewan marked the highest rainfall event ever recorded in the province. More than 300 millimetres (mm) of rain fell during a period of approximately 10 hours; the highest single point rainfall amount recorded was 375 mm. The resulting peak flows in the Notukeu Creek near Vanguard were the highest ever recorded, exceeding the previous flood of record which was the spring runoff event of 1952. Areas of the Notukeu Creek valley and adjacent farm land experienced extensive flooding.

Sask Water played a major role in forecasting and monitoring streamflows and assisting local residents. Following the July flood, Sask Water, in co-operation with Saskatchewan Health, the Swift Current Health District and the Prairie Farm Rehabilitation Administration (PFRA), contacted all rural residents who may have been impacted by the flood. The

agencies, through a co-ordinated effort, sampled and tested all potentially affected groundwater supplies for contamination. Residents were also advised on various measures necessary to ensure their water supplies were safe to drink.

Water Management Framework In 1999, after significant involvement with stakeholders and other agencies, the provincial government released its Water Management Framework. The Framework called for the implementation of 58 action items to address a number of water management issues facing the province of Saskatchewan.

Sask Water was assigned responsibility for implementation of 32 of the 58 items. This year, terms of reference were developed and the action items prioritized for implementation over the next five years. In addition, as part of the integrated water management goals outlined in Item 38, Sask Water, together with Saskatchewan Environment and Resource Management (SERM), established an Intraprovincial Water Management Committee to identify joint priorities and budgets so that agency mandates and activities related to water can be clearly defined and fully integrated. Under the Framework, proposed legislation was developed to strengthen Saskatchewan's policy preventing bulk water export, funding to support provincial water infrastructure was allocated, and a working group to develop a provincial drought policy was established.

Protecting the province's lakes Sask Water continued to work with the public to monitor and improve water quality in their lakes. Through the lake stewardship program, Sask Water attended various meetings with existing groups representing Jackfish and Murray Lakes, Big Shell Lake and Good Spirit Lake. Some undertakings this year included water quality monitoring and sample collection, organizing projects to protect riparian areas, and preparing reports and newsletter articles. Discussions about building a co-operative network for promoting watershed stewardship across the province are under way between Sask Water and other government agencies.

Rural water quality program grows Rural water users often cope with poor water quality and treatment systems. By providing analysis and advice, Sask Water, through its Rural Water Quality Advisory Program, helps rural clients improve their water quality in a cost-effective manner. This year more individuals accessed the program than ever before. By the end of 2000, a total of 1,097 water sources had been tested since 1997 and 428 clients received service in 2000. The tragic circumstances of the Walkerton, Ontario *E.coli* outbreak certainly heightened the awareness and importance of securing a safe and reliable water supply.

Local government initiates watershed plan In response to ongoing water concerns, a variety of local stakeholder groups, including rural municipalities in southeastern Saskatchewan and southwestern Manitoba, are working together to develop a water management plan for the Stony, Jackson and Graham Creek watersheds. Staff from Sask Water and Manitoba Conservation are assisting with this process. During 2000, the group focused on assembling information about the area as a first step in the development of the water management plan.

Lower Souris committee established

A committee composed of interest groups in the lower Souris River basin was established in 2000. The forum provides an opportunity for the exchange of information between stakeholders and Sask Water. Flooding, runoff forecasts, water supply, structure operations,

water quality and water apportionment were among the items of discussion during the year.

Study completed The Upper Assiniboine River Basin Study, which began in November 1996, was completed in December 2000. The Study, a joint undertaking by Saskatchewan, Manitoba and Canada, was initiated as a result of a number of issues, including the 1995 flood, drainage and flood control concerns in the basin and the loss of wetland habitat. Public awareness and stakeholder participation were a key part of the Study's activities. Four technical committees undertook the work of the Study with public involvement from six local watershed committees representing water resource interests in each of the six sub-basin planning units. The committees were made up of representatives of rural and urban governments, regional watershed or development associations, wildlife and recreation groups and other interested area residents. These committees provided input and were a vital link with area residents regarding the progress and results of the Study.

The Study provided information and recommendations to assist future water management decisions in the basin. Work on implementation of the recommendations will be initiated in 2001.

Teachers learn about water Project WET (Water Education for Teachers) Saskatchewan is an interdisciplinary water education program intended to supplement the existing K-12 school curriculum. Sask Water, Saskatchewan Education and the Canadian Water Resources Association have formed a managing partnership to offer the program in Saskatchewan. Sask Water co-ordinated the required six-hour training workshops for classroom curriculum. This year, workshops were provided to the Sask River and Regina Catholic School Divisions and the Northern Area Teachers' Association. While the program is designed for teachers, workshops were also given to education students at the University of Regina and the National United Church Camping Conference. During the year, eight workshops were held involving 170 participants, including four Sask Water employees who will eventually facilitate the program.

DEVELOPING SASKATCHEWAN'S WATER RESOURCES



Sask Water Minister Maynard Sonntag and Pierceland Mayor Jim Krushelnitsky cut the ribbon to officially open the Pierceland Water Supply System and Treatment Plant in July 2000.

Providing a safe supply of high quality water for Saskatchewan residents is one of the ways Sask Water helps to develop the province's water resources. Sask Water also provides agronomic and technical advice and support to the province's irrigation industry. Water control projects impound the province's surface water resources for many different and sometimes competing uses, including urban and rural domestic water supplies, irrigation, industry, recreation and wildlife.

Pierceland enjoying 'new' water Water quality and supply continues to be a concern for many Saskatchewan residents, especially in rural areas. One example was the 500-plus residents of Pierceland, located northwest of Meadow Lake, who were trying to cope with contaminated well water and depleted supplies. In addition, they had no central water treatment and distribution system. Sask Water worked with village officials to arrive at a solution to these problems. In July 2000, Pierceland residents held the official opening of a new \$1.1 million water treatment plant and now enjoy the benefits of an assured supply of quality water.

Booster station built near Clavet As communities grow, so does the demand for a good supply of quality water. This became evident when rural areas outside the City of Saskatoon continued to develop and flourish. In 1998, individual water user groups from the rural municipalities of Corman Park, Aberdeen and Blucher approached Sask Water to discuss their water

supply needs. Plans went ahead with Sask Water extending the existing treated water pipeline in 1999 to initially serve the needs of 55 users east of Saskatoon. The second phase, completed in the fall of 2000, saw the construction of a booster pumping station near Clavet. This allows for an increase in system supply capacities by 88 per cent that will satisfy both current and future needs of area residents.

Booster station for Dalmeny To meet increasing demands, construction of a booster pumping station near Dalmeny on Sask Water's Saskatoon North Treated Water Supply System began in late 2000, allowing for a greater supply of water into the system. This station will become operational in early 2001 and will boost available water supplies by 64 per cent.

In addition to these projects, a number of communities requested technical assistance from Sask Water throughout the year. In response, Sask Water undertook 10 initial water supply investigations for potential utility developments and prepared terms of reference for six communities to engage engineering consultants to address their needs.

Serving the North Saskatchewan people in the North face a number of challenges when it comes to water supply and wastewater systems. Many of the communities have small populations and are isolated from others. Sask Water plays a key role in helping to improve the quality of their water supplies and wastewater treatment. Activities this year included project

planning and management of the design and construction of water and wastewater infrastructure, in addition to providing technical assistance and training of municipal operators.

A five-year initiative to construct and upgrade the water and wastewater infrastructure in 35 northern communities was announced by Saskatchewan Municipal Affairs, Culture and Housing to provide safe and secure water supplies and environmentally acceptable wastewater treatment and disposal in the North. Subsequently, Sask Water signed an agreement with the Northern Revenue Sharing Trust Account Management Board to provide project management services for the northern communities. These services include providing technical advice for conceptual and feasibility studies, overseeing the design and construction of the facilities and assistance with start-up and operation. Sask Water's role of providing project management and general technical advice is vital to the success of the initiative.

Under an annually renewed contract with Indian and Northern Affairs Canada (INAC), Sask Water continues to provide training and technical support to operators of First Nations' water and wastewater systems. In 2000, services were provided to 47 First Nations Reserves and technical advice and assistance was provided to six northern communities. On a full cost-recovery basis, Sask Water also provided operator training to the Village of Pierceland and the Elk Ridge Golf Resort near Waskesiu.

As requested by INAC, Sask Water initiated a review of INAC's Capital Assets Inventory System to determine how closely the allocation of its water and sewer operation and maintenance funding matches actual needs.

Water management infrastructure Sask Water owns, operates, and maintains major water control projects throughout the province. These works are considered public policy projects, since services to operate and maintain them are provided by Sask Water with no direct cost to the users. Since formation of the corporation in 1984, some 44 water impoundment/conveyance facilities have been constructed or acquired from other agencies. The various facilities, from small lake-level control works to high earthfill dams, are used to manage the provincial surface water resources. These works impound year-round supplies for urban and rural domestic uses, irrigation and industrial purposes, and also provide abundant recreation and wildlife benefits.

In addition to ongoing annual operation and maintenance, one of Sask Water's responsibilities is to rehabilitate these aging facilities to meet dam safety criteria and ensure their long-term integrity. The average age of the works exceeds 35 years with several facilities built more than 60 years ago. Some of the works are under-designed relative to current standards and some project components have reached the end of their useful lives. Sask Water incurred expenses of \$3.4 million for rehabilitation activities in 2000.

In 2000, rehabilitative work was undertaken on several structures, including Theodore Dam, Pike Lake Water Supply works, Lumsden Flood Control dykes, Zelma Inlet Structure, Scott Dam, Round Lake Dam and on various reaches of the Qu'Appelle River Conveyance System. Detailed safety inspections were completed at Spruce River (Anglin Lake), Star City, Hugonard and West Poplar dams. Maintenance and/or investigative work was also conducted at Five Mile Dam, Wascana Lake Weir, Esterhazy Dam, Moose Mountain Dam, West Poplar Dam, Summercove Dam, Katapwa Dam, Hugonard Dam, Kingsway Dam, Teepee Creek Dam, Makwa Lake Dam and Emma Lake Diversion (Anglin Lake Pump Station).

Buffalo Pound project completed Buffalo Pound Lake is the primary source of water for Regina, Moose Jaw and other smaller communities, representing approximately 25 per cent of the province's population. In addition to providing water to major industries like Saskferco and IMC Kalium, it also provides significant recreational value with cottage developments and a provincial park. The majority of the water in the lake originates from Lake Diefenbaker and is conveyed to Buffalo Pound Lake through the upper Qu'Appelle River channel.

In 2000, Sask Water completed the replacement of the 60-year-old timber-based outlet control structure at Buffalo Pound Lake with a modern, gated concrete control structure. The new structure allows greater operational flexibility and ease of operation than the original control works. The 1,500 metre long Buffalo Pound Lake Dam was also raised 0.6 m to improve its safety.

A unique feature of the new control structure is its fishway. With the implementation of a fish ladder, which will operate from early spring to late fall, spawning fish commonly found in the Qu'Appelle River system can now move upstream into Buffalo Pound Lake. In the past, this could only occur when flood flows in the Qu'Appelle River backed up into the lake. In addition, measures to restore vegetation were initiated this fall by landscaping and seeding the area

A \$3.0 million rehabilitation project on the Buffalo Pound dam and control structure was completed in 2000.



with native grass similar to that which existed prior to construction. In the spring of 2001, willow seedlings will also be planted downstream of the channel to provide a shade canopy for fish, again similar to natural conditions along the Qu'Appelle River.

Approximately 1,100 cubic metres (m³) of concrete, 85,000 kilograms of steel, 50,000 m³ of excavation and 20,000 m³ of compacted earthfill were used in this \$3 million project.

Avonlea Dam set for rehabilitation Avonlea Dam was built in 1964 for water supply purposes, predominantly for intensive irrigation of downstream agricultural lands. In subsequent years, uses expanded to include water supplies to the Town of Avonlea and a rural pipeline utility. Dunnet Regional Park and the Long Creek Golf and Country Club are also located on the flood plain, downstream of the dam.

In recent years, local area residents approached Sask Water over their water availability as well as concerns about public safety and damage to land caused by flooding. Consequently, Sask Water identified various safety issues with the dam, focusing primarily on its inadequate spillway capacity. In 2000, Sask Water completed hydrology studies and undertook geotechnical investigations and topographic surveys at the dam site. Engineering studies of various project rehabilitation options were also initiated and discussions held with local stakeholders. In 2001, Sask Water plans to complete the design, tender and initiate construction of the rehabilitation project.

Gardiner Dam provides many benefits Sask Water is responsible for the operation and maintenance of the Gardiner and Qu'Appelle dams, which impound Lake Diefenbaker along the South Saskatchewan River. The current combined replacement value of these facilities is approximately \$1 billion. By volume of earthfill, Gardiner Dam is ranked the largest in Canada and the ninth largest earthfill dam in the world. In addition to providing a major recreation facility, Lake Diefenbaker provides a quality source of domestic water supply for approximately 45 per cent of Saskatchewan residents. Water is also stored for hydroelectric generation through the Coteau Creek power station (as well as for reuse by two other downstream power generation stations) and this reservoir is the supply source for a number of irrigation districts, seven potash mines and various other major Saskatchewan industries.

Given the importance of and need to ensure the highest level of safety of these works for the people of Saskatchewan, Sask Water continually monitors their performance. In 2000, approximately \$830,000 was spent on project surveillance, operating and physical maintenance activities.

Sask Water hosts various tours of the Gardiner Dam facilities. In 2000, the site was visited by members of the Canadian Dam Association and the Canadian Water Resources Association as part of their annual conference activities. In addition, various school classes, university engineering students, and international delegates from Egypt, China and the Balkans toured the facility.

Slope improvements to Rafferty Dam Sask Water is responsible for the Rafferty and Alameda dams, the water retention facilities near Mainprize Park, the Souris River channel improvements, the wetland project (duck pond) below Rafferty Dam, the Boundary-Rafferty diversion works, as well as administration of the land adjacent to the reservoirs, all located in southeastern Saskatchewan. Sask Water operates, maintains and monitors the dams and related projects as an integrated water management system. In addition to serving as flood-control facilities, the Rafferty and Alameda reservoirs enable Saskatchewan to conserve its share of Souris River Basin flows for the benefit of its residents.

During the summer and fall, Sask Water completed the first phase of a two-phase undertaking to improve the stability of the upstream slope of Rafferty Dam. Approximately 18,000 m³ of rock rip-rap was placed on the face of the dam at an approximate cost of \$550,000. Phase II work, the construction of a toe berm, will be undertaken when the water level in the reservoir falls to approximately 546 metres. The latter work will further bolster the stability of the upstream slope of the dam.

Also in 2000, Sask Water engaged an engineering consultant to investigate operational problems with the two drawdown gates in the Alameda Dam low level outlet. The consultant reviewed the gate design criteria, material and fabrication specifications, and measured installation tolerances and alignments. Upon completion of the work, the consultant identified a number of deficiencies and advanced two rehabilitation options to Sask Water. To ensure reliable operation of the gates, it is proposed to rehabilitate the control gate in 2001 and the upstream guard gate the following year.

Infrastructure constructed between July 1, 1984 and December 31, 2000 include:

Rafferty and Alameda Projects	\$ 223,133,000
Luck Lake Water Supply System	\$ 23,400,000
Riverhurst Water Supply System	\$ 32,200,000

In addition to the major facility expenditures noted above, Sask Water also owns, operates and maintains other critical water control projects which have been transferred to the corporation from other provincial government agencies. These projects provide the people of Saskatchewan with essential water management functions including water for municipal and industrial use, irrigation, hydroelectric generation, flood

control, wildlife and recreation. Services to operate and maintain these projects are provided with no direct cost to the users:

- Avonlea Dam
- Blackstrap North Dam
- Blackstrap South Dam
- Bradwell East Dam
- Bradwell West Dam
- Brightwater Creek Dam
- Broderick North Dam
- Broderick West Dam
- Buffalo Pound Dam
- Candle Lake Control Structure
- Chicken Lake Dam
- Cowan Lake Control Structure
- Darmody Dam
- Dellwood Brook Dam
- Emma Lake Diversion (Anglin Lake Pump Plant)
- Esterhazy Dam
- Five Mile Dam
- Gardiner Dam
- Hugonard Dam
- Katepwa Lake Control Structure
- Kingsway Dam
- Kipahagan Dam
- Lac la Ronge Control Structure
- Lac la Plonge Control Structure
- Makwa Lake Control Structure
- Moose Mountain Dam
- Northminster Effluent Reservoir
- Opuntia Lake Dam
- Qu'Appelle Dam
- Qu'Appelle River Conveyance Channels
- Pike Lake
- Round Lake Control Structure
- Saskatoon South East Water Supply (SSEWS) Conveyance Canals



Approximately
18,000 tonnes of rock
was placed on the upstream face
of Jeffrey Dam to stabilize
the slope.

- Scott Reservoir
- Souris River Conveyance Channels
- Spruce River Dam
- Star City Reservoir
- Stelcam Dam
- Summercove Dam
- Tee Pee Creek Diversion Works
- Theodore Dam
- Wascana Lake Weir
- West Poplar Dam
- Woody Lake Control Structure
- Zelma Dam

Utility serves thousands The utility segment of the corporation operates multi-purpose water supply and sewage disposal projects owned by Sask Water. These works serve municipal, agricultural, industrial, recreational and wildlife requirements through pipelines, pump stations, surface water delivery systems and sewage treatment and disposal systems.

The works are organized into 12 operating systems: Saskatoon-Southeast, Saskatoon Treated, Saskatoon Raw, Buffalo Pound Treated, Buffalo Pound Raw, Regina East, Melfort Regional, Wakaw-Humboldt Regional, Lake Diefenbaker Area, Town of Gravelbourg, Village of Pierceland water supply system and the Nipawin Regional Sewage Treatment System.

These systems consist of 137 km of canals, five storage reservoirs, 30 pumping facilities, four treatment plants, 712 km of pipeline and one sewage lagoon facility. The works currently serve 33 industrial, 43 municipal and 1,112 domestic users. The combined municipal population supplied is approximately 38,000.

Pipeline volume increases The total volume of water supplied by Sask Water to pipeline customers increased by 5.2 per cent, from 15,342 cubic decametres (dam³) in 1999 to 16,142 dam³ in 2000. This was due to an increase in the diversion of both raw and treated water. During the year, 11,649 dam³ of raw water was supplied primarily to industrial customers, an increase of 4.5 per cent from 1999. The diversion of treated water increased as well, with 4,494 dam³ of treated water supplied to industrial, municipal and other customers, a 6.9 per cent increase from 1999.

Water pumped from Lake Diefenbaker The East Side Pump Station supplies water from Lake Diefenbaker. In 2000, 36,548 dam³ was diverted to the South Saskatchewan River Irrigation District and 29,048 dam³ was diverted to the Saskatoon-Southeast Water Supply System.

The water diverted to the South Saskatchewan River Irrigation District was used to irrigate 13,801 hectares. The major customers on the Saskatoon-Southeast System are farm irrigators and Saskatchewan Environment and Resource Management. During 2000, water was supplied to a total of 7,750 hectares of irrigation, 13 waterfowl breeding projects and five reservoirs. This system also supplies water for industrial use to three potash mines as well as a number of municipal and domestic clients.

PAWBED wraps up The Partnership Agreement on Water-Based Economic Development (PAWBED) was initiated in 1991 to provide assistance to water-based projects. Sask Water administered the agreement on behalf of the province and PFRA administered the agreement on behalf of the federal government. During the nine years the agreement was in place, the federal and provincial governments, on a 50-50 basis, provided nearly \$25 million to more than 140 projects. The projects ranged from water supplies to new greenhouses to the rehabilitation of irrigation water supply systems to the development of regional drinking water systems.

The agreement was completed on Dec 31, 2000. During 2000, final payments were made to finish projects that were initiated in the latter years of the agreement.

Busy year for ICDC The Irrigation Crop Diversification Corporation (ICDC) was established under *The Irrigation Act*, 1996, and is directed by irrigation farmers. ICDC agrologists, seconded from Sask Water, deliver a province-wide research, demonstration and education program. In 2000, a forage centre at Cypress Lake demonstrated a 400 per cent improvement in water use efficiency over traditional flood irrigation. Silage production work attracted interest from irrigators seeking to feed more cattle, based upon the reliable high yields from irrigated land. Effective pocket gopher control was demonstrated to 120 producers and work continued on improving the irrigated yields of dry beans, cereals and oilseeds. *Crop Varieties for Irrigation*, *Irrigation Agronomics and Economics* and *The Irrigator* (three issues) were published and distributed in 2000. As well, many irrigators

participated in December's annual conference held in conjunction with Saskatchewan Irrigation Projects Association (SIPA).

Sask Water partners with CSIDC The Canada-Saskatchewan Irrigation Diversification Centre, a world-class irrigation research centre at Outlook, is a federal-provincial-industry partnership. Sask Water is the provincial partner and co-chair, and ICDC is the industry partner and co-chair. Irrigation research and development at the centre attracts the interest of irrigators from across the prairies and from other countries. Herbfest, run in conjunction with an international herb and spice conference, attracted more than 1,000 visitors to the centre in July. During 2000, CSIDC developed its operational, business, capital and work plans as the PAWBED agreement has ended and a new era of irrigation research and development is being planned.

Irrigation Act amended *The Irrigation Act*, 1996, which consolidates legislation for all irrigation development in the province, was amended in 2000 with the aid of a broad consultation process. Sask Water invited all irrigation districts, as well as all individual (non-district) irrigators, to attend consultation meetings to review the proposed changes and provide feedback. In addition, letters outlining the proposed changes were sent out to 2,400 non-district irrigators along with the invitation to attend the meetings or provide comments directly to Sask Water. Changes were incorporated into the proposed amendments as a result of feedback received from the irrigators, who generally supported changes to the Act. The amendments will strengthen implementation and sustainability of existing and future irrigation initiatives.

Ensuring sustainable soils Sask Water's mission to protect the province's water and related land resources is carried out for irrigation by the corporation's Agro-Environmental Unit. Using the latest global positioning system technology, 2,402 hectares were investigated for new irrigation projects in 2000. Luck Lake and Riverhurst Irrigation District soil maps were completed (1,395 hectares investigated in 2000) to enable the development of environmentally sustainable operation and expansion plans.

In 2000, water quality samples were obtained at 180 surface water sites, 12 groundwater sites and three irrigation projects for soil quality changes. Lagoon seepage was also investigated at Balgonie. The unit also provides, on a contract basis, manure

management services (currently for hog barns using effluent irrigation) and precision agriculture services.

Water control projects Sask Water provides investigative, technical and engineering services for a variety of water projects. The main purpose of the water control program is to help alleviate flooding and drainage problems associated with agricultural lands. Water control assistance is also available to advance soil and water conservation and stabilize levels of existing lakes through locally sponsored and co-ordinated programs.

Jordan River flood control project At the request of the Arborfield Conservation and Development Area Authority (CAA), Sask Water completed the design and construction of the first phase of the Jordan River flood control project, located 13 km northeast of the town of Arborfield (southeast of Nipawin). Cost-shared between Sask Water and locally with the CAA and the Rural Municipality of Arborfield, the project will protect farmsteads from flooding, reduce silt loading into the Jordan River, prevent erosion of prime agricultural land and replace a collapsing grid road culvert. Upon project completion in 2001, it will also reduce the effects of flooding on other rural municipality crossings and roads in the area.

Rowatt flood control project Several farmers and business owners located on low undrained land south of Regina experienced flooding due to extremely high spring runoff in 1996, 1997 and 1999. Local landowners, through the Sherwood CAA, approached Sask Water to develop a flood control scheme to address their concerns over flooding of agricultural lands, farm yards and businesses. After investigation, Sask Water determined the primary cause of the flooding was due to inadequate outlets on the Rowatt and Stice sloughs, located on the east and west sides of Highway No. 6 south of Regina.

In 2000, the Sherwood CAA entered into a cost-shared agreement with Sask Water to implement Phase I works estimated at \$500,000. The works will include the construction of a drainage ditch along the west side of the Lewvan Expressway in Regina with a control structure near the end of the ditch to regulate flows

from the Stice-Rowatt project. The flood control works will provide an outlet for high water which previously flooded land in the surrounding area.

Crystal Lake Cottage owners on Crystal Lake, located north of Canora, have been concerned over shoreline erosion and loss of beach area caused by high water levels on the lake. Represented by the Crystal Lake Hamlet Board, they approached Sask Water for assistance. Under provisions of the Rural Water Control Assistance Program, Sask Water conducted an evaluation to determine the cause of the problem. The investigation concluded that removal of obstructions in the channel leading from the lake and replacement of the outlet structure were required.

Sask Water facilitated construction of the project by undertaking the engineering design of the required works, tendering the project on behalf of the Board and guiding them through the regulatory process. Sask Water also provided \$62,000 towards construction of the project. Within weeks of completion of the project in the fall of 2000, the lake level was drawn down to a desirable level through operation of the new works.

Fishing Lake Fishing Lake, located 100 km northwest of Yorkton, reached its highest recorded level in 1997, causing extensive property damage. Although water levels have since subsided, concerns remain that an above-average runoff event might result in further damage.

The Fishing Lake Watershed Association was established to co-ordinate local involvement in the development of a project to alleviate the flooding situation at the lake. Sask Water has provided considerable technical assistance to the Association under the Rural Water Control Assistance Program by investigating alternative solutions. One proposal called for a drainage project which would lower the lake to acceptable levels. This project could not proceed because of potential environmental impacts. Sask Water is in the process of preparing a second project proposal that addresses the environmental concerns and provides a level of flood protection for the cottage owners. This proposal will be completed and submitted for regulatory review early in 2001.

PROTECTION OF THE WATER RESOURCE

Protecting the province's water is a priority for Sask Water. Staff from various work units in the corporation help ensure the integrity of Saskatchewan's water resource.

Saskatchewan's water resource inventory A key to effective water resource management is securing a complete inventory of Saskatchewan's water resources through the operation of data collection networks for both ground and surface water.

A network of more than 300 hydrometric stations operates in Saskatchewan to monitor and collect water level and stream flow data in the province. Sask Water operates 154 stations and the remainder are co-managed with Environment Canada through the Canada-Saskatchewan Hydrometric Agreement. Sask Water also operates a groundwater observation well network that consists of approximately 20 wells located in various parts of the province. As an extension of this network, data are also collected through investigations to establish aquifer management plans for stakeholders. This year, Sask Water worked closely with the cities of Regina and Yorkton and SaskPower, at its Boundary Dam site near Estevan, to establish sustainable aquifer management plans to meet the

demand for groundwater resources. In addition, Sask Water worked in co-operation with the Saskatchewan Research Council's groundwater observation well and mapping programs.

Protecting the environment Sask Water works with stakeholders and other regulatory agencies to ensure that proposed developments minimize impacts on the environment. Under its Water Control Assistance Program, Sask Water assists Conservation and Development Area Authorities and Watershed Associations to prepare conceptual reports and project proposals that are used for environmental assessment by provincial and federal agencies. Monitoring of construction for environmental compliance and post-construction reviews are also done. Examples include the Fishing Lake and Rowatt-Stice Slough projects.

Intensive livestock operations reviewed As part of Saskatchewan Agriculture and Food's intensive livestock operation (ILO) approval process, Sask Water provides comments on potential impacts to water resources. This year, a total of 16 ILOs were reviewed; these included 12 hog, two beef and two dairy proposals.

WATER RIGHTS

Sask Water's regulatory process is an important tool in the management of the province's water resources. All projects that use, store or divert water require approval from the corporation. Sask Water also works with neighbouring regions concerning interjurisdictional water management.

More than 150 approvals issued A primary responsibility of the corporation is to manage the development of the province's ground and surface water resources in order to help balance all demands of the resource. Under the provisions of *The Water Corporation Act*, any project that uses, stores or diverts water must be approved prior to construction and operation. Through the issuance of approvals for the construction and operation of works, annual diversions of water are allocated for municipal, industrial, irrigation and various other stakeholders.

In 2000, Sask Water's groundwater unit issued 39 investigation permits and 107 approvals to operate projects, while 41 approvals to construct works and 67 approvals to operate works were issued by the surface water unit.

Complaints investigated *The Water Corporation Act* allows a person to formally lodge a complaint against water-related works which are causing, or are anticipated to cause damage. This is a less expensive and time-consuming alternative to traditional legal recourse. While decisions and orders rendered by Sask Water under the Act may be appealed, the process has generally proven to be an effective means of resolving water disputes. In 2000, Sask Water received 42 new formal complaints and resolved 59 complaints. Sask Water is required to formally advise the parties to a complaint of their right to request a formal hearing, as established by *The Water Corporation Act*. During the year, the corporation scheduled and conducted four formal hearings.

Langenburg area ditches closed Sask Water concluded that a number of drainage works undertaken by the Rural Municipality (RM) of Churchbridge required approval under *The Water Corporation Act*, and that these works would have to be closed until an approval was issued. The approval process con-

siders the potential for damage to downstream property and environmental impact that might result from the works.

Sask Water confirmed its authority to close unauthorized ditches by filing for and receiving a court injunction, preventing individuals from interfering with ditch closures. Sask Water subsequently met with RM representatives and landowners to discuss the drainage issue. This led to the RM voluntarily installing the required ditch blocks under Sask Water advisement.

Interjurisdictional water management With the exception of a few internal drainage basins within the province, all major river systems in Saskatchewan cross international and/or inter-provincial borders. Representing the province, Sask Water is a member of various boards and committees that manage and administer the apportionment agreements for water. The management and operation of the river systems are administered under the Boundary Waters Treaty of 1909 along the international border with the states of Montana and North Dakota; the Master Agreement on Apportionment covers rivers flowing east from Alberta to Manitoba across the inter-provincial borders with Alberta and Manitoba; and, the Mackenzie River Basin Agreement pertains to flows draining west into the Mackenzie River. In 2000, Saskatchewan received all water to which it was entitled under the agreements with the exception of a small amount of water on Lodge and Middle Creeks from Alberta. That shortfall will be made up in 2001. Saskatchewan also met all of its apportionment obligations to other jurisdictions.

Treaty land entitlement (TLE) In 2000, Sask Water reviewed 161 land selections under the TLE Framework Agreement to identify water bodies, water development projects and other third-party interests which must be dealt with before a reserve is created. In addition, Sask Water successfully negotiated and completed a Flooding Agreement with the Beardsy's and Okemasis First Nation and a subsequent Easement Agreement with Canada under the federal *Indian Act*. The agreements will allow a flood-prone portion of Duck Lake, located approximately 50 km north of Saskatoon, to receive reserve status.

STRATEGIC PERFORMANCE REPORTING TO CROWN INVESTMENTS CORPORATION

Sask Water is a subsidiary Crown corporation of Crown Investments Corporation (CIC), the holding company for commercial Crown corporations. As such, Sask Water receives its strategic direction from CIC, whose board of directors are elected Cabinet ministers who represent the interests of the shareholder.

In 1999, CIC and its subsidiaries developed a Crown Sector Strategic Plan to provide long-term direction to the Crown sector and facilitate long-term planning. The plan, which was updated in 2000, includes a guiding vision statement for the Crown sector, its primary business purposes, common business values and strategic business objectives. Each Crown was directed to link the following five strategic objectives with its own corporate objectives to guide its business planning process:

- *Customer Exceed* customer expectations for products and services.
- *Financial Health* Position the entire Crown sector to prosper. Provide a return to the people of Saskatchewan that justifies the shareholder risk and investment in the overall sector.
- *Mandate & Role* Incorporate the Crown sector's mission into each corporation's mandate and role. Strive to balance public accountability with each Crown corporation's need to operate in commercially competitive environments.
- *Public Purpose* Strive to ensure access to reasonably and competitively-priced sector products and services on an equitable basis that might otherwise not be available to all or some of Saskatchewan's residents.

Contribute to social, economic and environmental public policies of the Government of Saskatchewan,

including: economic diversification and growth; representative workforces; skills training and development; technical innovation and development; and environmental responsibility and stewardship.

- *Human Resources* Align human resources processes and practices to best deal with emerging sector-wide issues and that support achievement of individual Crown corporation strategies.

Sask Water supports the objectives identified in the Crown Sector Strategic Plan, and is developing specific corporate objectives, measures and targets in its Business Plan that are aligned with the shareholder's expectations in the areas of public policy, financial performance, customer satisfaction and innovation and growth. These areas form the quadrants of our Balanced Scorecard. The Crown Sector Strategic Plan and Balanced Scorecard together form an integrated short and long-term strategic performance management system.

The Balanced Scorecard system of performance management is a work in progress. Over the next few years, specific key objectives, measures and targets will be fully developed and implemented into Sask Water's business planning and performance monitoring cycles.

Sask Water encourages the implementation of practices that will enhance its public accountability by providing a greater degree of transparency in the results of its operations. With that, Sask Water is striving to fully develop its performance management system, and position itself to communicate its Balanced Scorecard targets and results no later than for its 2002 annual report.

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section is intended to provide further analysis of Sask Water's financial performance and should be read in conjunction with the audited financial statements and accompanying notes included in this annual report.

1. CORPORATE OVERVIEW

Sask Water's operations are structured along three lines of business:

Water Management and Protection (Non-Utility)

As the Province's water manager, Sask Water develops management strategies, forecasts, allocates and approves water use for the benefit of all the people in the Province. Operation and maintenance of public policy water management infrastructure such as dams and water control and conveyance works is also a key activity.

Water Supply and Transmission (Utility)

The corporation is engaged in the supply of both treated and raw water to municipalities, industrial, commercial and agricultural customers and for wildlife and recreational purposes. As well, the corporation owns and operates a wastewater treatment facility serving two municipal and one industrial customer near Nipawin. These works are operated on a utility basis whereby operating and capital costs are recovered from customers on a long-term break-even basis.

Water-Based Economic Development

Sask Water is responsible for undertaking water-based economic development programs in order to develop and effectively use our water resource to strengthen and diversify the provincial economy. These activities are funded by grants from the Province. From 1997 to mid-2000, Sask Water was responsible for undertaking a number of activities directed towards development of the potato industry. These included crop sharing with growers to help reduce start-up capital requirements, provision of agronomic services and construction and operation of potato storage facilities. Sask Water's involvement concluded in mid-2000 with transfer of responsibility for these activities to a newly formed corporation, Sask Valley Potato Corporation (SVPC). SVPC is 100 per cent owned by Crown Investments Corporation's investment subsidiary, CIC Industrial Interests Inc.

2. 2000 FINANCIAL HIGHLIGHTS

2.1 Water Management and Protection

(Non-Utility) In 2000, the non-utility segment of the corporation incurred a \$1,324,000 net loss from operations compared to a net loss of \$226,000 in 1999. The *Water Power Act* revenues were down by \$1,471,000 from 1999 accounting for essentially all of the increased loss experienced in 2000. This revenue source provides the majority of funding for non-utility water management and operations (75 per cent of total non-utility revenues in 2000). Varying runoff and rainfall conditions from year to year can dramatically impact *The Water Power Act* revenues which are based on hydro-power generation levels. This in turn will impact net earnings for a given year. In 2000, hydro-power generation levels were down by 22 per cent from long-term averages, causing a similar significant reduction in revenue. Management was able to reduce non-utility water management and operations expenses from 1999 levels to partially offset lower revenues. Fully mitigating lower revenues in a given year can be very difficult. Unlike *The Water Power Act* revenues, most operating and water management costs cannot be adjusted with weather conditions.

While the focus of this segment of Sask Water's operations is to serve the public purpose of sound water management rather than profit generation, it is important that over the long run, operations are conducted at a sustainable level, given the financial resources available. In the near term, short-term debt financing is sometimes used by management to balance out short-term fluctuations in revenues. In 2000, short-term borrowing to meet non-utility cash flow requirements for this purpose was not needed. However, some short-term borrowing was undertaken at the end of the year to deal with utility activities.

2.2 Water Supply and Transmission (Utility)

The utility recorded a net loss of \$318,000 on revenues of \$11,544,000 during the year. The loss was a decrease of \$276,000 from 1999. These losses are related to the expected early year results of the Wakaw-Humboldt system which will be recovered through 30-year water supply contracts with key municipal clients on this system. The net loss for the year for the Wakaw-Humboldt project amounted to \$1,844,000. The corporation borrowed \$1,005,000 in notes payable to partially finance this loss. Excluding Wakaw-Humboldt, the

utility had net earnings of \$1,526,000, up by \$234,000 from 1999. Higher water sales, particularly to treated water customers, offset by higher treated water purchase and system repair and maintenance costs, led to the improvement in results from the previous year.

Capital expenditures for the utility in 2000 totalled \$1,239,000 (net of customers' capital contributions). The majority of these expenditures related to the newly completed Pierceland water supply system. This project began operations in mid-year, providing a quality source of water to more than 200 households in the community.

2.3 Water-Based Economic Development

Sask Water's water-based economic development grant program expenditures totalled \$2,598,000 and focused on financial assistance for water-based economic development projects paid out under the federal-provincial PAWBED agreement. This agreement concluded at the end of 2000. Other significant activities included technical assistance provided to irrigators and agronomic and administrative support for the Irrigation Crop Diversification Corporation. As mentioned earlier, Sask Water's activities in potato industry development, potato production and storage operations ended in mid-year through transfer of responsibilities to a newly formed company wholly owned by CIC Industrial Interests Inc. The net loss from these discontinued operations up to the transfer date amounted to \$1,184,000. As a result of the transfer, Sask Water's assets were reduced by \$21,832,000, liabilities decreased by \$22,510,000 with the difference being credited to contributed surplus. Capital assets of \$19,631,000 formed the bulk of total assets transferred. Also transferred were \$5,511,000 in mortgages payable and CIC assumed responsibility for \$16,600,000 of notes payable related to potato operations.

3. OUTLOOK FOR 2001

For 2001, Sask Water will concentrate efforts within core responsibility areas of water management and protection, water supply and transmission and support for water-based economic development activities. Guidance for the corporation's actions will be taken from the provincial Water Management Framework approved in 1999, the corporation's annual strategic planning process and CIC's Crown sector strategic planning process, including performance reporting discussed in the preceding section. Highlighted below are key activities proposed for each of Sask Water's three lines of business.

3.1 Water Management and Protection

Rehabilitative work on the corporation's water management infrastructure projects will continue through 2001 and into future years. In order to protect the continued economic benefits and quality of life the Province enjoys from these projects, a multi-year program of investigation, design and reconstruction has been planned and will be implemented. Work to replace the aging Avonlea Dam structure will begin later in 2001 and is expected to be completed in 2002. A priority action item in 2001, under the Province's Water Management Framework, will be a focus on drinking water quality. Together with the Saskatchewan Urban Municipalities Association, Saskatchewan Association of Rural Municipalities and a number of other provincial agencies, Sask Water will lead a study to evaluate the state of water treatment systems across the province. As well, actions to implement key initiatives such as increased rural water quality advisory services are expected to continue in 2001.

3.2 Water Supply and Transmission

In 2001, Sask Water will undertake a rate consultation process with clients. The objective is long-term financial stability of the utility. Implementation of this initiative will depend on CIC and Cabinet approvals. In addition to operation of existing systems, construction of water supply works to a joint SaskPower International Inc. and Atco Power Canada Ltd. power production co-generation project at the PCS Cory mine near Saskatoon is planned for later in the year. A number of smaller utility rehabilitation projects will also proceed in the year to ensure a continued, assured supply of water to our utility customers.

3.3 Water-Based Economic Development

While the corporation's direct involvement in the provincial potato industry's development has been transferred to a new corporation, Sask Water will continue striving to ensure the province achieves the maximum benefit from its investment in irrigation infrastructure. Sask Water's engineering, agronomic and soil-water suitability technical assistance programs, along with support for irrigation research and demonstration projects based at the Canada-Saskatchewan Irrigation Diversification Centre, will dominate program activities. Investigations into the causes, extent and potential solutions to the emerging pipeline corrosion problems at the Riverhurst and Luck Lake irrigation projects will also be advanced.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Management has prepared the consolidated financial statements of the corporation in accordance with generally accepted accounting principles. The financial data included elsewhere in this report is consistent with the financial statements and the underlying information from which the corporation prepared these consolidated financial statements.

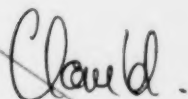
Management has the primary responsibility for the integrity and objectivity of the financial statements. To fulfill this responsibility, the corporation maintains appropriate systems of internal controls, policies and procedures. These systems provide reasonable

assurance that assets are safeguarded and that the books and records reflect the authorized transactions of the corporation.

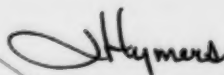
PricewaterhouseCoopers LLP, the corporation's external auditors, have examined the December 31, 2000 consolidated financial statements and their report follows.

The Board of Directors of Sask Water has examined and approved the statements.

On behalf of the corporation,



Clare Kirkland
PRESIDENT



Terry Hymers
CORPORATE COMPTROLLER

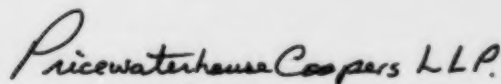
AUDITORS' REPORT

To the Members of
the Legislative Assembly
Province of Saskatchewan

We have audited the consolidated statement of financial position of Saskatchewan Water Corporation as at December 31, 2000 and the consolidated statements of operations and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Saskatchewan Water Corporation as at December 31, 2000 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



CHARTERED ACCOUNTANTS
REGINA, CANADA
FEBRUARY 2, 2001

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31

	2000	1999
	(Thousands of Dollars)	
ASSETS		
Current Assets		
Cash	\$ -	\$ 260
Accounts receivable and advances	4,506	4,590
Inventory	-	1,283
Prepaid expenses and supplies	637	1,438
Current portion of long-term accounts receivable (note 4)	99	169
	5,242	7,740
Long-term Receivables (note 4)	822	702
Capital Assets (note 5)	65,541	88,101
	\$ 71,605	\$ 96,543

LIABILITIES AND PROVINCE OF SASKATCHEWAN'S EQUITY

Current Liabilities		
Bank indebtedness	\$ 499	\$ -
Accounts payable and accrued liabilities	4,781	6,473
Notes payable (note 6)	1,005	15,677
Deferred funding (note 7)	581	1,293
Current portion of long-term debt (note 9)	628	592
Current portion of mortgages payable (note 10)	-	170
	7,494	24,205
Deferred Revenue and Prepayments (note 8)	5,482	5,861
Long-term Debt (note 9)	36,349	37,435
Mortgages Payable (note 10)	-	5,425
	49,325	72,926

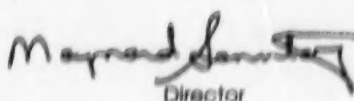
Province of Saskatchewan's Equity

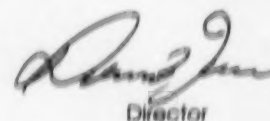
Equity advance (note 11)	700	700
Contributed surplus (note 3)	1,612	933
Retained earnings	19,968	21,984
	22,280	23,617
	\$ 71,605	\$ 96,543

Commitments and Contingencies (note 15)

See accompanying notes

On behalf of the Board:


Director


Director

CONSOLIDATED STATEMENT OF OPERATIONS AND RETAINED EARNINGS

YEAR ENDED DECEMBER 31

	2000	1999
	(Thousands of Dollars)	
Revenue		
Water	\$ 20,501	\$ 21,059
Interest	46	1,165
Amortization of deferred revenue	191	193
Rental income	197	201
Other	1,194	1,129
	22,129	23,747
Expenses		
Operations	12,914	12,919
Water Management	4,714	5,169
Amortization of capital assets	2,794	2,735
Interest (note 12)	3,349	3,744
	23,771	24,567
Loss before the following	(1,642)	(820)
Unusual items (note 13)	=	(5,175)
Loss from discontinued operations (notes 3 and 16)	(1,164)	(3,733)
Loss from Operations	(2,826)	(9,728)
Grants from General Revenue Fund	8,263	5,370
Grant from CIC (note 17)	1,200	-
Grants to clients (note 14)	(5,235)	(5,330)
Water Management Infrastructure Expenses	(3,418)	-
Transfer from deferred funding (note 7)	712	413
Public policy expenditures (note 7)	(712)	(413)
Net Loss	(2,016)	(9,688)
Retained earnings, beginning of year	21,984	31,672
Retained earnings, end of year	\$ 19,968	\$ 21,984

See accompanying notes

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31

	2000	1999
	(Thousands of Dollars)	
OPERATING ACTIVITIES		
Net loss	\$ (2,016)	\$ (9,688)
Charges and credits not affecting cash:		
Amortization of capital assets	3,271	3,611
Amortization of deferred revenue and prepayments	(696)	(442)
Amortization of premium	(45)	(43)
Sinking fund earnings	(156)	(167)
Gain on disposal of assets	(14)	(16)
Unusual items	-	1,669
Net changes in non-cash working capital balances relating to operations:		
Deferred funding	(712)	(413)
Deferred revenue and prepayments	362	196
Other	(1,131)	2,282
Cash used in operating activities	(1,137)	(3,011)
INVESTING ACTIVITIES		
Long-term receivables	(120)	1,110
Capital expenditures	(1,469)	(2,387)
Proceeds on disposal of assets	1,017	-
Cash used in investing activities	(572)	(1,277)
FINANCING ACTIVITIES		
Proceeds from notes payable	1,928	7,977
Retire long-term debt and mortgages payable	(676)	(3,229)
Sinking fund instalments	(302)	(302)
Cash provided by financing activities	950	4,446
Increase (Decrease) in Cash	(759)	158
Cash, Beginning of Year	260	102
Cash (Bank indebtedness), End of Year	\$ (499)	\$ 260

See accompanying notes

1. STATUS OF THE CORPORATION

The Saskatchewan Water Corporation (the Corporation) was established on July 1, 1984, under the authority of *The Water Corporation Act*.

By virtue of *The Crown Corporations Act, 1993*, the Corporation has been designated as a subsidiary of Crown Investments Corporation of Saskatchewan (CIC). Accordingly, the financial results of the Corporation are included in the consolidated financial statements of CIC, a Provincial Crown corporation. As the Corporation is a Provincial Crown corporation, it is not subject to Federal or Provincial income taxes in Canada, but is subject to Provincial corporate capital tax.

In accordance with the provisions of *The Water Corporation Act*, the Corporation's general powers and purposes are to manage, control, develop and administer the use of all water resources in the Province of Saskatchewan in an economic and efficient manner, and to own and operate water-related works. In fulfilling its mandate, the Corporation has constructed various regional water supply utility systems and public policy water management and water supply works. The Corporation also delivers various economic development programs on behalf of the Province of Saskatchewan. In addition, the Corporation may provide financial assistance to various persons, communities and organizations to carry out its general powers and purposes.

The Corporation's activities are also governed by agreements with various agencies of the Government of Saskatchewan. The agreements provide, among other things, for the Corporation to receive revenue from the General Revenue Fund and other agencies to finance the acquisition of capital assets, to make payments of grants to clients, to make public policy expenditures and to fund operations. These activities are thereby dependent on funding from the General Revenue Fund.

2. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with generally accepted accounting principles. The significant policies are as follows:

Capitalization of Expenses Internally provided engineering and technical services are capitalized at standard labour rates designed to recover salaries, benefits and overhead. The objective of this policy is to recognize the approximate value of design, supervision and administrative services rendered by Corporation employees on construction projects. Internally provided services capitalized amounted to \$136,000 (1999 - \$352,000). As well, the Corporation capitalizes interest expense on debt relating to specific construction projects until they are substantially completed. During the year, \$0 (1999 - \$0) in interest was capitalized.

Grants from the General Revenue Fund Under the authority of Section 21 of *The Water Corporation Act*, the Corporation receives grants from the General Revenue Fund out of monies appropriated by the legislature. These grants are recorded as revenue when received and are used to fund grant programs, water management infrastructure expenses and operations.

Grants to Clients Grants provided to clients for a variety of programs are recorded as an expense to the Corporation if the final approval for the grant payment was made during the year. Where the Corporation enters into contractual agreements for project construction under various assistance programs, expenditures are accounted for on an accrual basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2000

Capital Assets Capital assets are recorded at cost to the extent that these costs are recoverable from future operations. Assets under construction are capitalized at cost, and are transferred to the appropriate asset category when construction is complete and the asset is in use. Assets are capitalized at cost net of any subsidies or contributions received for that specific purpose.

Amortization of capital assets is calculated at the following annual rates designed to amortize the recorded cost over the estimated useful lives of the capital assets. Assets under construction transferred to the appropriate asset category before June 30th are amortized for the full year, otherwise they are not amortized until the following year.

Capital Assets	Method	Rate
Buildings	straight-line	2.5% to 5%
Water facilities	diminishing balance or straight-line as appropriate	2% to 30%
Maintenance and Office Equipment	diminishing balance or straight line, as appropriate	10% to 30%

Post Retirement Benefits Other Than Pension The Corporation administers a benefit relating to a retirement allowance which is paid to eligible employees upon retirement. The Corporation has adopted the accrual method of accounting for this benefit whereby the cost of providing the benefits is recorded when the related services of employees are performed and is discounted at an interest rate of 6.63 per cent. The unfunded employee benefit recognized for this accrual in 2000 is \$523,000 (1999 - \$485,000). The amount of allowances disbursed in the year were \$14,000 (1999 - \$0).

Basis of Consolidation The consolidated financial statements include the accounts of Saskatchewan Water Corporation and the following subsidiaries: Lucky Lake Potato Storage Inc., Riverhurst Potato Storage Inc. and Tullis Potato Storage Inc.

Segmented Information Revenue and expenses directly attributable to the utility, SPUDCO (Saskatchewan Potato Utility Development Company), and non-utility segments of the Corporation's activities are reflected in the results of operation of each segment. Also included is an allocation of general administrative expenses based on support services involvement with various segments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2000

3. DISCONTINUED OPERATIONS

On June 28, 2000, the Corporation adopted a formal plan whereby all of its potato-related assets were transferred to related parties at their carrying values.

Effective this date, buildings with a carrying value of \$17,959,000 and equipment with a carrying value of \$1,672,000 and other related assets and liabilities were transferred to a related party. In exchange for these assets, a related party assumed \$16,600,000 of notes payable and mortgages of \$5,511,000 were transferred to another related party.

The difference between the carrying value of the assets, the debt assumed and consideration received has been credited to contributed surplus.

For reporting purposes, the results and financial position of this business segment have been presented as discontinued operations. Accordingly, prior year figures have been reclassified to conform with the current year presentation.

The Corporation continues to be subject to the provisions of the head lease until such time as title to the mortgaged facilities is transferred.

The results of discontinued operations are reported in note 16.

A summary of the year end assets and liabilities related to the discontinued operations are as follows:

	2000	1999
		(Thousands of Dollars)
Current assets related to discontinued operations	-	\$ 1,907
Non-current assets related to discontinued operations	-	21,144
Current liabilities related to discontinued operations	-	16,198
Non-current liabilities related to discontinued operations	-	5,440

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2000

4. LONG-TERM RECEIVABLES

	2000	1999
	(Thousands of Dollars)	
Year Receivable		
2000	\$ -	\$ 169
2001	99	103
2002	111	108
2003	72	69
2004	297	134
2005	263	131
2006 and subsequent	79	157
	921	871
Less: Current portion on long-term receivables	(99)	(169)
	\$ 822	\$ 702

Amounts in this account represent loans issued to various clients for economic development projects repayable over the next several years. These loans are non-interest bearing; no security is held on these loans.

5. CAPITAL ASSETS

	2000		1999	
	(Thousands of Dollars)			
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ 1,547	\$ -	\$ 1,547	\$ 1,552
Buildings	1,353	633	720	19,205
Water facilities	85,723	24,124	61,599	62,258
Maintenance equipment	2,348	1,816	532	3,177
Office equipment	1,496	1,265	231	294
Assets under construction	912	-	912	1,615
	\$ 93,379	\$ 27,838	\$ 65,541	\$ 88,101

6. NOTES PAYABLE

Due Date	Interest Rate	2000	1999
		(Thousands of Dollars)	
March 31, 2001	5.63%	\$ 1,005	\$ -
March 31, 2000	5.02%	-	15,677
		\$ 1,005	\$ 15,677

By Order-in-Council, Sask Water is authorized to borrow up to \$25,000,000 by way of temporary loans from the Province of Saskatchewan - General Revenue Fund.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2000

7. PUBLIC POLICY EXPENDITURES AND DEFERRED FUNDING

As an agency of the Government of the Province of Saskatchewan, the Corporation incurs expenditures for various physical works for which it retains ownership. A public policy expenditure is recorded when such works do not directly produce sufficient revenue to finance their costs.

The majority of these expenditures relate to the Souris Basin and major irrigation projects.

The funding and related construction costs incurred from January 1, 1986 to December 31, 2000 are as follows:

	2000	Jan 1, 1986 to Dec 31, 1999	Total
	(Thousands of Dollars)		
Funded by:			
Province of Saskatchewan - General Revenue Fund	\$ -	\$ 195,249	\$ 195,249
U.S. Government	-	62,222	62,222
Saskatchewan Power Corporation	-	20,300	20,300
Revenue Canada - GST rebate	-	2,309	2,309
	-	280,080	280,080
Construction costs	(712)	(278,021)	(278,733)
Transfer to deferred revenue and prepayments	-	(766)	(766)
Deferred funding	\$ (712)	\$ 1,293	\$ 581

Construction costs of the Souris Basin projects are funded by the General Revenue Fund, the U.S. Government and Saskatchewan Power Corporation. Amounts received in excess of expenditures incurred are recorded as deferred funding. Any amounts remaining at project completion are to be repaid to the General Revenue Fund.

8. DEFERRED REVENUE AND PREPAYMENTS

Deferred revenue and prepayments, in part, represent revenue received from certain customers at the commencement of supply. These prepayments, which relate to the utility operation, are amortized into utility water revenue at 5% per annum on a straight-line basis or are matched against annual expenses.

Premium and issue costs relating to long-term debt are deferred and amortized on a straight-line basis over the term of the respective debt issue.

	2000	1999
	(Thousands of Dollars)	
Balance, beginning of year	\$ 5,861	\$ 6,150
Contributions received	362	196
Amortization of revenue	(191)	(193)
Amortization of premiums	(45)	(43)
Amortization of prepayments	(505)	(249)
Balance, end of year	\$ 5,482	\$ 5,861

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2000

9. LONG-TERM DEBT

Year Payable	Interest Rate	2000	1999
(Thousands of Dollars)			
2000	6.625%	\$ -	\$ 592
2001	6.875%	628	628
2002	7.000%	669	669
2003	7.250%	714	714
2004	7.375%	764	764
2005	7.500%	7,618	7,618
2006	7.500%	876	876
2007-2016	7.813%	13,343	13,343
2022	9.600%	15,000	15,000
		39,612	40,204
Less: Current portion of long-term debt		(628)	(592)
Less: Equity in sinking funds		(2,635)	(2,177)
		\$ 36,349	\$ 37,435

These loans are due in the year payable to the General Revenue Fund with interest payable semi-annually. Minimum sinking fund instalments required over the next five years are \$218,000 per year.

10. MORTGAGES PAYABLE

As of December 31, 2000, the balance of mortgages payable, including current portion, was \$0 (1999 - \$5,595,000). During the year all mortgages were transferred to a related party.

11. EQUITY ADVANCE

The Corporation does not have share capital. However, the Corporation has received advances from CIC to form its equity capitalization. The advances reflect an equity investment in the Corporation by CIC.

12. INTEREST EXPENSE

During 2000, the Corporation paid \$3,576,000 (1999 - \$3,780,000) in interest expense.

13. UNUSUAL ITEMS

In the prior year, one of the Corporation's customers went into bankruptcy. As a result, various amounts totalling \$5,175,000 were deemed to be uncollectible. These amounts are unusual in nature and are not expected to recur in the normal course of operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2000

14. GRANTS TO CLIENTS

Included in expenses are grants or assistance provided to various persons, communities and organizations to carry out a variety of programs administered by the Corporation. In addition, where the condition of financial assistance for certain programs requires the Corporation to provide engineering or technical services, an allocation of salaries to grant expense is made. Particulars of these grants, including salary allocation of \$2,232,840 (1999 - \$2,120,280), by program, are as follows:

	2000	1999
	(Thousands of Dollars)	
Drought (wells)	\$ 207	\$ 167
Irrigation Development	2,598	2,357
Municipal Water and Sewage	199	184
Flood Control and Drainage	1,894	2,358
Water Quality	337	264
	\$ 5,235	\$ 5,330

15. COMMITMENTS AND CONTINGENCIES

Contractual Commitments As of December 31, 2000, the Corporation has outstanding commitments of \$799,453 (1999 - \$3,768,326) for construction contracts and consulting agreements primarily relating to assets under construction.

Leases The Corporation has entered into various operating lease agreements with the following minimum lease payments:

	(Thousands of Dollars)
2001	\$ 880
2002	883
2003	856
2004	821
2005	715
2006 and subsequent	1,582
	\$ 5,737

Litigation The Corporation is party to a number of lawsuits in the ordinary course of business. Management is confident that any significant contingencies arising from these lawsuits have been adequately provided for in these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2000

16. SEGMENTED INFORMATION

The non-utility segment of the Corporation includes the activities of water management and protection, and water-based economic development.

The utility segment is responsible for the development and operation of water and wastewater facilities, on a utility basis.

Effective June 28, 2000, Sask Water transferred potato-related assets and liabilities to CIC at their respective carrying values. CIC transferred the assets to CIC III to be held in its wholly-owned subsidiary, Saskatchewan Valley Potato Corporation, created under *The Business Corporations Act (Saskatchewan)*. The six months of discontinued operations of Spudco are included in these financial statements.

Statement of Operations

	2000				1999			
	(Thousands of Dollars)							
	Non-Utility	Utility	Discontinued Operations SPUDCO	Total	Non-Utility	Utility	Discontinued Operations SPUDCO	Total
Revenue								
Water	\$ 9,857	\$ 10,644	\$ -	\$ 20,501	\$ 11,008	\$ 10,051	\$ -	\$ 21,059
Interest	43	3	20	66	1,159	6	165	1,330
Amortization of deferred balances	-	191	-	191	-	193	-	193
Potato Sales	-	-	1,477	1,477	-	-	1,521	1,521
Rental income	116	81	242	439	123	78	816	1,017
Other	569	625	178	1,372	491	638	424	1,553
	10,585	11,544	1,917	24,046	12,781	10,966	2,926	26,673
Expenses								
Operations	6,690	6,224	1,982	14,896	7,032	5,887	4,168	17,087
Water Management	4,714	-	-	4,714	5,169	-	-	5,169
Amortization	321	2,473	477	3,271	260	2,475	876	3,611
Interest	184	3,165	642	3,991	546	3,198	1,615	5,359
	11,909	11,862	3,101	26,872	13,007	11,560	6,659	31,226
Loss from operations before unusual items	(1,324)	(318)	(1,184)	(2,826)	(226)	(594)	(3,733)	(4,553)
Unusual items	-	-	-	-	-	-	(5,175)	(5,175)
Loss from operations	\$ (1,324)	\$ (318)	\$ (1,184)	\$ (2,826)	\$ (226)	\$ (594)	\$ (8,908)	\$ (9,728)
Identifiable Assets	\$ 6,052	\$ 65,563	\$ -	\$ 71,605	\$ 7,673	\$ 65,819	\$ 23,051	\$ 96,543

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2000

17. RELATED PARTY TRANSACTIONS

Included in these financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to the Corporation by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as "related parties").

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms except for revenue which is at rates negotiated between Sask Water and related parties. These transactions, and amounts outstanding at year end, are as follows:

	2000	1999
	(Thousands of Dollars)	
Accounts receivable	\$ 2,095	\$ 2,457
Accounts payable and accrued liabilities	1,263	1,417
Revenue	11,933	11,598
Expenses	8,152	8,143

In addition, the Corporation pays Saskatchewan Provincial Sales Tax, to the Saskatchewan Department of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

Other amounts and transactions due to and from related parties and the terms of settlement are described separately in these financial statements and the notes thereto.

As part of the potato-related business transfer, CIC provided a one-time grant of \$1,200,000 to the Corporation to complete this transaction.

18. FINANCIAL INSTRUMENTS

The Corporation's recognized financial instruments consist of cash, bank indebtedness, accounts receivable and advances, long-term receivables, accounts payable and accrued liabilities, long-term debt, mortgages payable and notes payable.

Credit Risk The Corporation is exposed to credit risk from the potential default of customers. However, approximately one-half of the Corporation's accounts receivable are from related parties, other government corporations and agencies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2000

Fair Values The fair values of short-term accounts receivable and all accounts & notes payable approximate their carrying value due to the short-term nature of these instruments.

	2000		1999	
	(Thousands of Dollars)			
	Carrying Value	Fair Value	Carrying Value	Fair Value
Long-term accounts receivable	\$ 822	\$ 648	\$ 702	\$ 545
Long-term debt	39,612	41,866	40,204	42,444
Sinking fund	2,635	2,618	2,177	2,053
Mortgages payable	—	—	5,595	5,536

The estimated fair values of these financial instruments have been determined based on the following methods and assumptions, and may not represent the amounts that could be realized upon settlement.

All long-term debt obligations and long-term receivables are estimated using discounted cash flow analysis based on current incremental borrowing rates for similar borrowing arrangements.

19. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform with the current year's presentation.

